

KENO

State of Nevada
Gaming Control Board

Auditor's Name and Date

Internal Audit Compliance Checklist

**KENO
WALK-THROUGH PROCEDURES**

Licensee: _____ Review Period: _____

NGC Regulation 6.090(15) requires the internal auditor to use guidelines, checklists and other "criteria established by the chairman" in determining whether a Group I licensee is in compliance with applicable statutes, regulations, and Minimum Internal Control Standards (MICS). The use of this checklist satisfies these requirements.

Date of Inquiry	Person Interviewed	Position

Checklist Completion Notes:

- 1) Unless otherwise instructed, examine a completed document for compliance for those questions referring to records/documentation as indicated and recalculate where appropriate. Indicate (by tickmark) whether the procedures were confirmed via examination/review of documentation, through inquiry of personnel or via observation of procedures. Tickmarks used are to be defined at the bottom of each page.
- 2) All "no" answers require referencing and/or comment, and should be cited as regulation violations, unless the Board Chairman has granted a MICS variation or the question requires a "no" answer for acceptability. All exceptions noted should be carried to the internal auditor's report/summary of findings for timely follow-up.
- 3) "(#)" refers to the Minimum Internal Control Standards for Keno, Version 5 or to the applicable regulation/statute.

Scope:

This checklist must be completed once in each fiscal year for each keno game operated by the licensee. This checklist can be completed for multiple keno games, if applicable, as long as the responses clearly indicate the keno games it applies to.

Indicate the keno game(s) being reviewed: _____

MICS Variations and Regulation Waivers:

Obtain copies of MICS variation and regulation waiver requests and GCB correspondence regarding such requests from appropriate property personnel. Review to determine status of evidence of any waivers or alternative requirements imposed by granted variations. Modify and/or perform additional procedures as applicable.

Associated Equipment:

Determine if field trial or final approval has been received for all associated equipment used in the keno department. For all unreported associated equipment, cite violations of **Regulation 14.290**. If any associated equipment is currently on field trial, it is not necessary to perform a walk-through of the procedures in effect utilizing the field trial letter. For "approved" associated equipment, utilizing the final approval letter, perform a walk-through of any **special requirements** imposed on the use of the associated equipment including any additional controls which were included in the written system of internal control.

Verified per representation

Verified per observation/examination

State of Nevada
Gaming Control Board

Auditor's Name and Date

Internal Audit Compliance Checklist

**KENO
WALK-THROUGH PROCEDURES**

Licensee: _____ Review Period: _____

Date Approval Granted	MICS Number or Regulation	Description of Variation/Waiver Granted or Associated Equipment Approval	Number(s) of Procedure Modified or Added	W/P Ref. (if appl.)

Note: Variations/waivers and associated equipment need only be scheduled once. Refer to the workpaper where the details are scheduled and complete the last two columns of the above grid if walk-through procedures are affected.

Questions	Yes	No	N/A	Comments, W/P Reference
1. Review prior internal audit reports. Schedule any relevant exceptions cited, including those cited by the GCB or the CPA, or include a copy of the prior audit reports in the workpapers and follow up on any problems noted. Duplication of exceptions when the CPA is referring to exceptions reported in internal audit reports is not necessary.				
2. Complete the CPA MICS Compliance Checklist for Computerized Keno in accordance with the CPA MICS Compliance Reporting Requirements "Guidelines" and Internal Audit Reporting Requirements "Guidelines".				
3. If there is a keno game or a progressive keno game with limits on winning tickets or the value of the keno game exceeding the total maximum sum of \$250,000 on any one game, has prior written approval				

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State of Nevada
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Auditor's Name and Date

Internal Audit Compliance Checklist

**KENO
WALK-THROUGH PROCEDURES**

Licensee: _____ Review Period: _____

Questions	Yes	No	N/A	Comments, W/P Reference
been received from the Chairman? Regulation 5.025(3)				
4. If the Chairman has imposed limits on the progressive keno game or required the maintenance of a reserve in the form of cash, cash equivalent, a bond, or a combination thereof, are the limits or reserve in accordance with the Chairman's approval? Regulation 5.025(4)				
In-house Progressive Payoff Schedules				
5. Scan progressive meter readings, including those offered in conjunction with a keno tournament, contest or promotion, for the most recent two weeks and determine that:				
a) The base amount of each progressive payoff is recorded pursuant to Regulation 5.110(2) (the base amount should be recorded when first exposed for play and subsequent to each payoff).				
b) The amount of each progressive payoff schedule is recorded at least one time daily. Regulation 5.110(2)				
c) The payoff amount has increased since the prior recording [unless related to reasons allowed pursuant to Regulation 5.110(4), Regulation 5.110(5) and (6)].				
d) The payoff amount on the progressive payoff schedule has not been decreased except as				

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Gaming Control Board

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Questions	Yes	No	N/A	Comments, W/P Reference
allowed by Regulation 5.110(5) . (Any reduction should be supported by appropriate documentation pursuant to Regulation 5.110(2) and 5.110(5), such as a notation of a payoff, a meter repair slip, etc.).				
e) Changes in the rate of progression are documented pursuant to Regulation 5.110(3) . If no changes are detected, inquire with licensee personnel to determine if they would document such changes.				
Surveillance 6. Is adequate video surveillance provided over the keno games area? Regulation 5.160(9) and Surveillance Standard #4				
Free Play and Promotional Items 7. If free play or promotional items are <u>currently</u> being offered, is the accounting treatment proper? NRS 463.0161, NRS 463.3715 and Regulation 6.110				
<u>Procedures Modified or Added</u>				

Verified per representation

Verified per observation/examination

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**KENO
TESTING PROCEDURES**

Licensee: _____ Review Period: _____

NGC Regulation 6.090(15) requires the internal auditor to use guidelines, checklists and other "criteria established by the chairman" in determining whether a Group I licensee is in compliance with applicable statutes, regulations, and Minimum Internal Control Standards (MICS). The use of this checklist satisfies these requirements.

Objectives:

To determine if controls for keno are adequate to ensure keno revenues are accurately stated in financial records and comply with the MICS.

Checklist Completion Notes:

- 1) Each step contains a parenthetical notation at the end of the step to designate the purpose of the step. Steps to ascertain compliance with a regulation or minimum standard will be followed by the appropriate regulation or standard. Steps to test the clerical accuracy of revenue will be followed by "Revenue." Steps to determine whether assets were protected will be followed by "Asset Protection."
- 2) The minimum standards quoted on this checklist are from Version 5 of the standards. Licensees must be in compliance with these standards by 1/21/04.
- 3) Document the completion of the procedures listed below. All exceptions noted should be carried to the Audit Report/Summary of Findings for timely follow-up. Indicate the workpaper reference in which the exception has been carried forward to, as applicable, in the "Exception/Comment" column.

Scope:

Unless otherwise indicated, select 1 day for each keno game operated by the licensee within the last seven days. Select a shift from that day. If a shift is designated as other than an eight-hour time period, select one writer for that day. This checklist can be completed for multiple keno games, if applicable, as long as the responses clearly indicate the keno games it applies to.

Indicate the Keno
Game(s) and Test
Date: _____

Indicate Shift/Writer: _____

MICS Variations and Regulation Waivers:

Review the MICS variations and regulation waivers scheduled during the keno walkthrough procedures. Modify and/or perform additional procedures as applicable. Note below the number of the procedures modified or added. Only the last two columns need to be completed if the remaining information is scheduled in the "Walkthrough Procedures Checklist".

Date Approval Granted	MICS Number or Regulation	Description of Variation/Waiver Granted or Associated Equipment Approval	Number(s) of Procedure Modified or Added	W/P Ref. (if appl.)

✓ - Step completed without exception

State of Nevada
Gaming Control Board

Auditor's Name and Date

Internal Audit Compliance Checklist

**KENO
TESTING PROCEDURES**

Licensee: _____ Review Period: _____

Test Date Selected:	Step completed without exception	Exception/Comment
1. Review prior internal audit reports. Schedule any relevant exceptions cited, including those cited by the GCB or the CPA, or include a copy of the prior audit reports in the workpapers and follow-up on any problems noted. Duplication of exceptions when the CPA is referring to exceptions reported in internal audit reports is not necessary.		
2. Foot the write on the restricted copy of the transaction log for one writer station. Trace the total write amount to the write total on the keno shift summary. (Revenue)		
3. Foot payouts as recorded on each payout ticket, which is attached to the outside ticket. Trace the total payout amount to the payout total on the keno shift summary. (Revenue)		
4. Examine the keno shift summary for:		
a) Proper handling of free play and promotional items. (Revenue)		
b) Adjustments for unpaid winning tickets (sleepers). (Revenue)		
5. Foot the cash turn-in on the count sheets. Foot and cross foot the keno shift summary and trace the cash turn-in from the count sheet to the cash column of the keno shift summary. (Revenue)		
6. Determine that audited keno win/loss is computed as write minus payouts (and must not include writers' overs/shorts). Trace audited keno win/loss from keno shift summary to the keno daily shift summary. (Revenue)		
7. Foot the daily keno summary. (Revenue)		
8. Examine the daily keno summary for:		
a) Proper handling of free play or promotional items. (Revenue)		
b) Adjustments for cash overages and shortages. (Revenue)		
c) Adjustments for unpaid winning tickets. (Revenue)		

✓ - Step completed without exception

State of Nevada
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Auditor's Name and Date

Internal Audit Compliance Checklist

**KENO
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Licensee: _____ Review Period: _____

Test Date Selected:	Step completed without exception	Exception/Comment
9. Trace win/loss on the daily keno summary to the monthly revenue journal. (Revenue)		
10. Trace win/loss or cash turn-in (if applicable) on the daily keno summary to cage accountability or the cash summary sheets. (Asset Protection)		
11. For the month in which a test day was selected, foot the win/loss account in the monthly revenue journal. (Revenue)		
12. For the month in the previous procedure, trace the win/loss per the monthly revenue journal to the general ledger and monthly NGC tax return. Examine general ledger accounts for the propriety of any activity that affects reported revenue. (Revenue)		
13. For the monthly NGC tax return reviewed in the previous step, use the appropriate supporting documentation to verify other components of keno on the NGC tax return (excluding no. of units).		
14. For the month in which a test day was selected, for one test day in which a contest/tournament was conducted, review the appropriate documentation to determine that entry fees and prize payouts do not have an effect on reported revenue. NRS 463.0161(2)(e) and NRS 463.0161(1) Note: If no contests/tournaments were offered in the month selected, then choose another month in which a contest/tournament was conducted.		
15. Examine the system exception report for propriety of changes to data or system parameters (e.g., changes in paytables, ball draws, payouts over a predetermined amount, etc). (Asset Protection) Note: A system exception report documents when event data or system parameters are changed. This report may be titled with various names. This report documents data or parameters altered; data or parameter value prior to alteration; data or parameter value after alteration; date and time of alteration; and identification of user that performed alteration.		

✓ - Step completed without exception

VERSION 2

DRAFT: 5/19/04

Page 3 of 4

State of Nevada
Gaming Control Board

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Internal Audit Compliance Checklist

**KENO
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Licensee: _____ Review Period: _____

	Step completed without exception	Exception/Comment
Test Date Selected:		
16. For computerized systems, obtain the personnel access listing:		
a) For computerized systems that have group profiles (job specific profiles), select five group profiles and determine whether the job functions (rights) assigned to the group profile are appropriate for the group. In addition, select one employee from each of the groups and determine whether the group profile is appropriate for the employee.		
b) For computerized systems that have individual profiles (profiles are customized for each employee), select ten employees, encompassing as many positions as possible, and determine whether the job functions (rights) assigned to each employee are appropriate for the employee.		
c) Verify that 5 terminated employees, which occurred during the review period, have been changed in the system from active to inactive status within 72 hours of termination.		
<u>Procedures Modified or Added</u>		

✓ - Step completed without exception